

Committee on Customs Valuation

Status

The purpose of the WTO Agreement on Customs Valuation is to ensure that the valuation of goods for customs purposes, such as for the application of duty rates, is conducted in a neutral and uniform manner, precluding the use of arbitrary or fictitious customs values. Adherence to the Agreement has become an increasingly important issue for U.S. exporters and a priority in the negotiations for all countries in the process of acceding to the WTO.

Assessment of the First Five Years of Operation

Achieving universal adherence to the Agreement on Customs Valuation in the Uruguay Round was an important objective of the United States dating back more than twenty years. The Agreement was initially negotiated in the Tokyo Round, but its acceptance was voluntary until mandated as part of membership in the WTO.

At one time, difficulties associated with customs valuation regimes in export markets were often generally characterized as mere technical irritants. However, since the completion of the Uruguay Round and the resulting dramatic growth in trade combined with the continuing shift to a faster-moving manufacturing and distribution environment, issues pertaining to how trade transactions are conducted are increasingly viewed as important systemic matters. U.S. exporters across all sectors – including agriculture, automotive, textile, steel, and information technology products – have experienced difficulties related to the conduct of customs valuation regimes outside of the disciplines set forth under the WTO Agreement on Customs Valuation. These difficulties – which can affect every single shipment of goods to a particular export market – generally are related to arbitrary and inappropriate “uplifts” in the transfer prices that are ultimately used by the importing country for the application of tariffs. If unchecked, such practices can sometimes result in a doubling or tripling of duties, undermining market access opportunities gained through tariff reductions. Other difficulties to exporters presented by customs valuation methodologies can pertain to an absence of transparency, delays in shipments, and improper handling of confidential business information. Finally, in a significant number of key U.S. emerging export markets, an arbitrary customs valuation methodology is often the genesis of corruption by customs officials entering the trade transaction process.

The means for squarely addressing many of these problems are provided by the Agreement’s disciplines, which underscores the Administration’s stance toward meeting the 20-year objective of bringing about implementation of the Customs Valuation Agreement by the full WTO membership. A proper valuation methodology under the WTO Agreement on Customs Valuation, avoiding arbitrary determinations or officially-established minimum import prices, can be the foundation to the realization of market access commitments. Just as important, the implementation of the Customs Valuation Agreement also often represents the first concrete and meaningful steps taken by developing countries toward reforming their customs administrations and diminishing corruption, and ultimately moving to a rules-based trade facilitation environment.

Major Issues in 1999

The Agreement is administered by the WTO Committee on Customs Valuation, which met formally three times in 1999. The Agreement also established a Technical Committee on Customs Valuation under the auspices of the World Customs Organization (WCO). The WTO Committee continued to follow through on an initiative generated by the United States in 1998, holding several informal sessions on implementation

and technical assistance issues related to those developing country Members who will be implementing the provisions of the Agreement in the year 2000. The United States has led efforts within the Committee to impress upon Members the importance of timely implementation of the Agreement, both in terms of enhancing the trade facilitation environment and ensuring that market access gains are not otherwise diminished through customs valuation practices.

This Agreement only became applicable to all WTO Members in 1995. The Agreement provided special transitional measures for developing country Members, providing time to bring their respective regimes into compliance with the provisions of the Agreement. At the end of the Uruguay Round, more than 50 developing country Members opted for recourse to delayed application for up to five years from January 1, 1995, or the date of entry into force of the WTO Agreement. For approximately half these Members, the deadline for implementation was January 1, 2000, while for others the five year deadline expires at various dates throughout 2000 and into 2001.

While many developing country Members with a January 1, 2000 deadline undertook timely implementation of the Agreement, throughout 1999 the Committee began to address individual requests either for transitional reservations as to how the Agreement would be implemented, or for further extensions of time for overall implementation. Working with key trading partners, the United States led consultations which resulted in the development of a detailed decision on each request, including individualized benchmarked work programs toward full implementation, along with reporting requirements and specific commitments on other implementation issues important to U.S. export interests.

Work for 2000

A high priority for the Committee will continue to be the adequate preparation for the remaining developing country Members which have deadlines to apply the Agreement's provisions. The Committee's work in 2000 will also include a review of the relevant implementing legislation and regulations submitted by those newly-implementing Members, along with monitoring progress of the benchmarked work programs that were the result of requests for transitional reservations or extensions of time. The Committee also will continue to provide a forum for sustained focus on issues arising from practices of all Members that have implemented the Agreement to ensure that such Members' customs valuation regimes do not utilize arbitrary or fictitious values, such as "minimum reference prices."

Finally, reflecting the recommendation of the Working Party on Preshipment Inspection which was adopted by the General Council, the Committee on Customs Valuation will provide a forum for reviewing the operation of various Members' preshipment inspection regimes and the implementation of the Agreement on Preshipment Inspection.